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Pace & Pace

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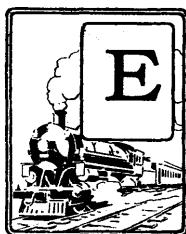
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# The PACE STUDENT

Vol. V

New York, March, 1920

No. 4



EXPORT trade is a matter in which American financiers, economists, accountants, and business men generally are becoming increasingly interested. Hence this article on the definitions of export quotations and on general recommendations for a standard American export practice should have great interest for Accountancy students.

The forms and recommendations mentioned were adopted by the National Foreign Trade Council, Chamber of Commerce of the United States of America, National Association of Manufacturers, American Manufacturers' Export Association, Philadelphia Commercial Museum, American Exporters' and Importers' Association, Chamber of Commerce of the State of New York, New York Produce Exchange, and New York Merchants' Association, at a conference held recently in India House, New York. At that time the following standardized procedure was strongly recommended:

## Definitions of Export Quotations

These are, in their order, the normal situations on which an export manufacturer or shipper may desire to quote prices. It is understood that unless a particular railroad is specified, the property will be delivered to the carrier most conveniently located to the shipper. If the buyer, for the purpose of delivery, or in order to obtain lower transportation charges, desires that the goods be delivered to a carrier further removed from the shipper and entailing a greater cost than delivery to the carrier most favorably situated, the carrier to which the buyer desires delivery of the goods should be named in the quotation. The term "cars or lighters," as used herein, is intended to include river, lake, or coastwise ships, canal boats,

barges, or other means of transportation, when so specified in the quotation.

1. When the price quoted applies only at inland shipping point and the seller merely undertakes to load the goods on or in cars or lighters furnished by the railroad company serving the industry, or most conveniently located to the industry, without other designation as to routing, the proper term is:

"F.O.B. (named point)."

Under this quotation:

A. Seller must—

(1) place goods on or in cars or lighters.

(2) secure railroad bill of lading.

(3) be responsible for loss and/or damage until goods have been placed in or on cars or lighters at forwarding point, and clean bill of lading has been furnished by the railroad company.

B. Buyer must—

(1) be responsible for loss and/or damage incurred thereafter.

(2) pay all transportation charges including taxes, if any.

(3) handle all subsequent

movement of the goods.

2. When the seller quotes a price including transportation charges to the port of exportation, without assuming responsibility for the goods after obtaining a clean bill of lading at point of origin, the proper term is:

"F.O.B. (named point) freight prepaid to (named point on the seaboard)."

Under this quotation:

A. Seller must—

(1) place goods on or in cars or lighters.

(2) secure railroad bill of lading.

(3) pay freight to named port.

(4) be responsible for loss and/or damage until goods have been placed in or on cars or lighters at forwarding point, and clean bill of

**Stand-  
ard  
Ameri-  
can  
Export  
Practice**

## LEADING ARTICLES

*Standard American Export Practice*

*Title-page*

*Ancient Laws and Modern Times*

*Page 52*

*Students' Questions and Answers*

*Page 54*

*Gameness*

*Page 56*

*Terminology and Technique of the  
Balance Sheet*

*Page 57*

*View-point in Business Letters*

*Page 60*

**Standard** lading has been furnished by the  
**American** railroad company.

## *The* **PACE STUDENT**

March, 1920

B. Buyer must—

(1) be responsible for loss and/or damage incurred thereafter.

(2) unload goods from cars.

(3) handle all subsequent movement of the goods.

(4) transport goods to vessel.

(5) pay all demurrage and/or storage charges.

(6) arrange for storage in warehouse or on wharf where necessary.

5. It may be that the goods, on which a price is quoted covering the transportation of the goods to the seaboard, constitute less than a carload lot. In this case, the proper term is:

"F.O.B. cars (named port) L.C.L."

Under this quotation:

A. Seller must—

(1) deliver goods to the initial carrier.

(2) secure railroad bill of lading.

(3) pay all freight charges from forwarding point to port on seaboard.

(4) be responsible for loss and/or damage until goods have arrived on cars at the named port.

B. Buyer must—

(1) be responsible for loss and/or damage incurred thereafter.

(2) handle all subsequent movement of the goods.

(3) accept goods from the carrier.

(4) transport goods to vessel.

(5) pay all storage charges.

(6) arrange for storage in warehouse or on wharf where necessary.

6. Seller may quote a price which will include the expense of transportation of the goods by rail to the seaboard, including lighterage. In this case, the proper term is:

"F.O.B. cars (named port), lighterage free."

Under this quotation:

A. Seller must—

(1) place goods on or in cars.

(2) secure railroad bill of lading.

(3) pay all transportation charges to, including lighterage at, the port named.

(4) be responsible for loss and/or damage until goods have arrived on cars at the named port.

B. Buyer must—

(1) be responsible for loss and/or damage incurred thereafter.

(2) handle all subsequent movement of the goods.

(3) take out the insurance necessary to the safety of the goods after arrival on the cars.

(4) pay the cost of hoisting goods into vessel where weight of goods is too great for ship's tackle.

**Export**  
**Practice**  
**(Continued)**

B. Buyer must—

(1) be responsible for loss and/or damage incurred thereafter.

(2) handle all subsequent movement of the goods.

(3) unload goods from cars.

(4) transport goods to vessels.

(5) pay all demurrage and/or storage charges.

(6) arrange for storage in warehouse or on wharf where necessary.

3. Where the seller wishes to quote a price, from which the buyer may deduct the cost of transportation to a given point on the seaboard, without the seller assuming responsibility for the goods after obtaining a clean bill of lading at point of origin, the proper term is:

"F.O.B. (named point) freight allowed to (named point on the seaboard)."

Under this quotation:

A. Seller must—

(1) place goods on or in cars or lighters.

(2) secure railroad bill of lading.

(3) be responsible for loss and/or damage until goods have been placed in or on cars or lighters at forwarding point, and clean bill of lading has been furnished by the railroad company.

B. Buyer must—

(1) be responsible for loss and/or damage incurred thereafter.

(2) pay all transportation charges (buyer is then entitled to deduct from the amount of the invoice the freight paid from primary point to named port).

(3) handle all subsequent movement of the goods.

(4) unload goods from cars.

(5) transport goods to vessel.

(6) pay all demurrage and/or storage charges.

(7) arrange for storage in warehouse or on wharf where necessary.

4. The seller may desire to quote a price covering the transportation of the goods to seaboard, assuming responsibility for loss and/or damage up to that point. In this case, the proper term is:

"F.O.B. cars (named point on seaboard)."

Under this quotation:

A. Seller must—

(1) place goods on or in cars.

(2) secure railroad bill of lading.

(3) pay all freight charges from forwarding point to port on seaboard.

(4) be responsible for loss and/or damage until goods have arrived in or on cars at the named port.

Henry E.  
Mendes,  
C.P.A. (Mo.  
and N. Y.)

**I** CERTAINLY do not regret having chosen professional Accountancy as my life work. Looking back over my experience, and knowing what I know to-day, I do not consider that I could have made a better choice. Presumably, I might have been successful in many other vocations, but I can confidently state that I do not know of any other vocation to which I should have been better adapted, both temperamentally and mentally; wherein I consider myself particularly well off."

This is the vigorous reply which Henry E. Mendes, C.P.A. (Mo. and N. Y.), a Pace graduate, made, when asked his opinion as to the opportunities in the professional practice of Accountancy, and as to whether he regretted ever having chosen the career of a professional accountant. Mr. Mendes, though but thirty-three years old, is a partner in the firm of Touche, Niven & Company, public accountants, and is resident manager of their Cleveland office. His admission to partnership, which occurred recently, is the logical fruitage of a conscientious and productive service of nine years for that well-known firm.

Mr. Mendes's vocational progress plainly shows that it pays for a young man to make up his mind in life as early as possible as to what he wants to do and be, and then direct all his energies toward the accomplishment of his purpose.

Mr. Mendes was born in New York, in 1887. In 1890, his parents moved to Boston and lived there for about five years, when, owing to business conditions, it became necessary for the family to move to St. Louis. After a year's residence in that city, Mr. Mendes, Sr., died, and the family, consisting of Mrs. Mendes, Henry, and a brother, returned to New York. Henry was placed in St. Ann's Academy, a New York boarding school, which teaches all the grammar and high-school grades, preparatory to qualifying one for certification for college entrance examinations.

After graduating from this school, in 1902, and receiving a Regents' high-school certificate of the state of New York, Henry accepted a position as office secretary with the New York office of Credit Lyonnais, one of the large French banks, the home office of which is situated in Paris. Henry's duties consisted, primarily, of compiling statistical information relating to the commerce and industry of the United States.

In the fall of 1902, Henry returned to St. Ann's Academy and completed a course in fundamental business subjects, as a result of which, he received the New York State Stenographer's Diploma and New York State Business Diploma.

## The PACE STUDENT

March, 1920

In March, 1903, the young man actively began his business career. For three years, he was stenographer and office amanuensis for Orlando H. Peck, dealer in photographic supplies, New York. For a year, he was bookkeeper for Potter & Young, wholesale coffee merchants and roasters, New York. For three years, he was bookkeeper, and later cash and credit man, for Charles G. Willoughby, dealer in photographic supplies, New York. In February, 1910, he joined the firm of Touche, Niven & Company as a junior accountant, and has been with them ever since.

One of the chief reasons why young Mr. Mendes was offered the position with Touche, Niven & Company was the fact that he had stud-



Henry E. Mendes, C.P.A.  
(Mo. and N. Y.)

Resident Partner, Touche, Niven &  
Co., Public Accountants  
Cleveland, Ohio

ied Accountancy with Pace & Pace, and had made a notable record as a student. Indeed, the records show that he completed the course in 1909, within less than eighteen months after he had begun it. About a year later, he passed with an unusually high percentage the New York State examinations for certified public accountant, though, because he was under the age requirements, he was not awarded his degree until about two years later.

Mr. Mendes's singleness of purpose in respect to becoming a professional accountant revealed itself

in no unmistakable way at this juncture of his career, for he had no hesitancy in joining the staff of Touche, Niven & Company, and at a very much lower salary than he had been receiving as a business executive. His faith in his own ability, however, was soon rewarded, for it did not take him long to demonstrate his ability to handle important technical work, much of which was away from New York. He continued to make steady progress with the firm; and in 1915, as if by coincidence, he found himself in St. Louis again, this time as the resident manager for Touche, Niven & Company. After five years in St. Louis, he was transferred to Cleveland, at the same time becoming a member of the firm, as has already been noted.

Mr. Mendes is a member of the following organizations: American Institute of Accountants, New York State Society of Certified Public Accountants, Missouri State Society of Certified Public Accountants, National Tax Association, Cleveland Association of Credit Men, and the Cleveland Chamber of Commerce. Before leaving St. Louis, Mr. Mendes was a member of the State Board of Accountants of Missouri. From time to time he has been a valued instructor in the Pace Accountancy Faculty, both in New York and St. Louis.

Mr. Mendes holds positive views as to the opportunities that abound for Accountancy-educated men and women—views which, because of his marked success, carry weight. Some of them follow:

"It is my opinion that any young man who possesses an aptitude and liking for Accountancy, who has the power of analysis well defined, and who is strongly determined to succeed, can make no mistake in entering the field of Accountancy. Indeed, I feel that the chances for eventual success are much greater in professional Accountancy than in any other profession, particularly the older ones. True enough, at times it is necessary for one to make sacrifices, both of a personal and a financial nature, in order to get ahead and succeed as a public accountant—a condition that prevails, however, in all professions and businesses to a greater or less degree. It is particularly the matter of preparation which is the element, I fear, that most young men are inclined to overlook.

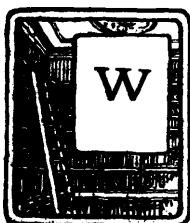
"As an indication of my positive attitude toward professional Accountancy, I might point to the fact that I am still practicing, after completing practically ten years of steady association with one firm, despite the fact that I have had numerous opportunities, some of which were of a very tempting character, to accept positions in private practice. Within six months after I became associated with Touche,

Who's  
Who

Biographical  
Sketches  
of Men of  
Affairs

**Ancient  
Laws  
and  
Modern  
Times**

By  
**Alfred F.  
Upson,  
LL.M.**



WE hear much of the severity of the old laws of the Colonies; some of what

we hear is true, and much is, to say the least, inaccurate. The Colonists were reared at a time when trivial acts were mag-

nified into heinous crimes, and when punishments were barbaric in their severity. The crushing to death of offenders was quite common, and the cutting off of one or both ears was not a strange or infrequent punishment in England.

That the Colonists should turn against the laws, and the punishments for violations thereof, of the country from which they fled was but natural—more especially, in view of the fact that at the time of the reign of James I, in England, there were over thirty offenses punishable by death.

The so-called Blue Laws of Connecticut were undoubtedly odd, blunt, and, to our twentieth century minds, antiquated; but the first Code of Connecticut (1642) made only twelve offenses punishable by the death penalty. Undoubtedly, in order to promote industry and a healthy development, it was necessary strictly to control the activities of the settlers, both mentally and physically.

The first real Code of Connecticut was established by the General Court of Connecticut, in May, 1650. It provided for the compulsory instruction and education of males and females until their twenty-first and eighteenth years respectively, either by their parents or by masters, both as to the "grounds and principles of religion" and to "breed and bring up their children in some honest, lawful calling, labor, or employment, either in husbandry or some other trade profitable for themselves and the commonwealth."

Idleness and tobacco taking were frowned upon. "No person, householder, or other," reads the law, "shall spend his time idly or unprofitably, under pain of such punishment as the Court shall think meet to inflict; \* \* \* the constable of every place shall use special care and diligence to take knowledge of offenders in this kind, especially of \* \* \* tobacco takers."

Swearing was not countenanced by our forefathers. "Any person within this jurisdiction shall swear rashly and vainly, either by the holy name of God, or any other oath; or shall sinfully and wickedly curse any; he shall forfeit to the common treasure, for every such several offense, ten shillings; \* \* \* and if such

*The*  
**PACE STUDENT**  
March, 1920

persons be not able, or shall utterly refuse to pay the aforesaid fine, he shall be committed to the stocks, there to continue not exceeding

three hours, and not less than one hour."

The foundation of our modern school systems may well be traced to the first Code of Connecticut, for it provides: "It being one chief project of that old deluder Satan, to keep men from the knowledge of the Scriptures, as in former times (by) keeping them in an unknown tongue, so in these latter times by persuading them from the use of tongue, \* \* \* and that learning may not be buried in the grave of our forefathers in Church and Commonwealth, the Lord assisting in our endeavors, \* \* \* it is therefore ordered by this Court and authority thereof, that every township within this jurisdiction, after the Lord hath increased them to the number of fifty householders, shall thenceforth appoint one within their town to teach all such children as shall resort to him to write and read, whose wages shall be paid either by the parents or the masters of such children \* \* \*. And it is further ordered, that where any town shall increase to the number of one hundred families, they shall set up a grammar school \* \* \*."

Turning to the "Laws for Government of the Colony of New Haven," we find that there were strict provisions for the keeping of the Sabbath, and that "Whosoever shall prophane the Lord's day, or any part thereof, either by sinful, servile work, or by unlawful sport, or recreation, or otherwise, whether wilfully, or in a careless neglect, shall be duly punished by fine, imprisonment, or corporally, according to the nature and measure of the sinn and offense \* \* \*."

That the early settlers of Massachusetts had the labor situation and profiteering well in hand appears from some of the early laws of that state, passed in October, 1633, as follows: "It is ordered, that maister carpenters, sawers, masons, clap-board-ryvers, brickelayers, tylars, joyners whelewrights, mowers, etc., shall not take above 2s. a day, finding themselves dyett; and not above 14d. a day if they have dyett found them, under the penalty of 5s. both to giver and receaver. Further, it is ordered, that all workmen shall worke the whole day, allowing convenient time for food and rest."

In March, 1634, "John Chapman is fined 20s. for selling boards at 8s. per hundred, contrary to an order of Court, and it is remitted upon promise of 300 of 4 inch planke toward the Sea Fort." And in October, 1635, "Josiah Huyes doth forfeit 5s. for knyves, and 4s. 6d. for a

sythe, which he sold for above 4d. in the shilling profit."

That the high cost of living was well within the contemplation of our forebears is shown by a reference to the laws passed in Massachusetts, in September, 1634.

"It is ordered, that no person that keeps an Ordinary shall take above 6d. a meal for a person, and not above 1d. for an ale quarte of beare, out of meal tyme, under the penalty of 10s. for every offense, either of dyett or beare," and again—

"The Court, taking into consideration the greate, superflous, and unnecessary expences occasioned by reason of some newe and immodest fashions \* \* \* hath therefore ordered that noe person, either man or woman, shall hereafter make or buy any apparell, either woollen, silke, or lynnyn with any lace on it, silver, gold, silke or threed, under penalty of forfeiture of such cloathes, etc."

That our ancestors did not approve of women in the professions may be observed from the order of March, 1638: "Jane Hawkins, the wife of Richard Hawkins, had liberty till the beginning of the third month called, May, and in the meane time she is not to meddle in surgery or phisick, drinks, plaisters, or oyles, nor to question matters of religion."

There have been attributed to Connecticut laws providing that no one shall run on the Sabbath day, or walk in the garden or elsewhere, except reverently to and from meeting; that no one shall travel, cook victuals, make beds, sweep house, cut hair, or shave on the Sabbath day or fasting-day; that no one shall pick an ear of corn in the neighbor's garden without committing theft; that no male shall have his hair cut otherwise than round, according to a cup—however, a careful search of authentic records by men competent so to do reveals no such laws.

Many acts which to-day would be regarded as of trivial importance, were punishable by death in Colonial times. The Colonists were, for the most part, stern, upright men; and the laws they passed undoubtedly made for the success of the Colonies, for the development of better men and women, and for the betterment of community morale.

Laugh if you will at the olden laws, but with riot rampant to-day, with war more than a memory, with terrorism towering over law and order, and with a peaceful commercial and economic future in the balance, we may well turn for guidance in spirit to the steady hand and sturdy hearts and minds of the men and women who lived in old New England.

## *The* PACE STUDENT

March, 1920

THE painstaking accountant, delving into detailed statements wherein fiduciaries give an account of their stewardship over

*Investments of Trust Funds*

the funds entrusted to their care, is often called upon to determine whether such stewards have made proper investments. His determination of this fact is frequently upheld by the court in a decision arraigning the fiduciary, mulcting him in damages, and declaring that he can be steward no longer.

An accountant going over a carefully prepared account discovers that the fiduciary, the general guardian of an infant, has invested the infant's funds entrusted to his care in a second mortgage. Is such an investment permissible under the law? The answer is an emphatic negative.

The investment of funds in the hands of guardians is regulated by Section 3 of the Decedents' Estate Law, made applicable to the estates of infants under guardianship by Section 85 of the Domestic Relations Law. Construed together, these sections empower a guardian to invest an infant's funds "in the same kind of securities as those in which savings banks are by law authorized to invest the money deposited therein (see Banking Law, Section 239), and in bonds and mortgages on unencumbered real property in this state worth fifty per centum more than the amount loaned thereon." By amendment, in effect September 1, 1918, an infant's funds can now be invested in shares, or parts of such bonds and mortgages as are evidenced by the participation mortgage certificates issued by trust companies or title guaranty corporations organized under the laws of this state.

### STUDENTS' ORGANIZATION

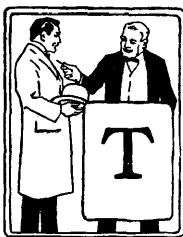
Plans for a permanent Pace Students' Organization are rapidly taking definite form. Special students' committees, with H. Herbert Vacheron as chairman, and Pace Institute are working closely together; and very shortly the conclusions resulting from these joint endeavors will be made public, as was announced by Mr. Homer S. Pace at the banquet on February 14th. The April issue of *The Pace Student* will contain both a detailed account of the banquet and a further discussion of the Students' Organization.

*Postponements deaden potentialities of development and kill possibilities of achievement.*

*The big man in the making looks at to-day in terms of to-morrow; the average man looks at to-day in terms of to-day; the failure looks at to-day in terms of yesterday. Where do you fit in?*

By  
James D.  
Hines,  
A.B., LL.M.





THIS Department does not publish answers to all of the questions received, but only to those which we deem to be of general interest to our readers. A communication, in order to receive attention, must contain the name and the address of the person asking the question.

The  
**PACE STUDENT**  
March, 1920

These railroad claim accounts will rarely represent full asset value; some claims will fail utterly, others will be paid in part only.

For this purpose, a Reserve for Claims should be set up in order to value the asset for Balance-Sheet purposes. It is to be further noted that such claims should not be merged with trade accounts receivable, but rather show as a separate item in the Balance Sheet.

**Q** WE have many freight claims against railroads. Please outline a method of keeping track of them, and how they should be handled in the accounts.

**A** In respect to each claim, correspondence and other data bearing on the existence or validity of the claim should be collected and filed in a special file. If the volume with certain railroads was extremely heavy, we might operate a separate file for each railroad, using for alphabetic basis the names of customers whose orders were not delivered. Any new papers coming in should be routed to the proper file. It is extremely important to provide for a method of following claims up, since difficulties in collection, or even failure to collect, may be brought into being because of the failure to take necessary steps in time.

As to the method of keeping the accounts, we can best appreciate the situation by tracing the developments in a given case:

(1) \$500 in merchandise is billed to James Smith & Company, entry:

JAMES SMITH & COMPANY.....	\$500.00
To SALES .....	\$500.00

(2) The goods are lost, and claim is entered. The charge must be transferred from James Smith & Company to the X Railroad Company, entry:

X RAILROAD CO.....	\$500.00
To JAMES SMITH & COMPANY .....	\$500.00

At the same time, since the sale was not consummated, the entry must be reversed. The proper credit will be Claim A/C (nominal), an offset in this case, to Cost of Sale, entry:

SALES ACCOUNT .....	\$500.00
To CLAIMS ACCOUNT.....	\$500.00

We would thus have substituted for the original entry—Accounts Receivable to Sales, the entry—Claims Receivable to Claims, the debit constituting a particular class of receivables. It might be necessary to open up a Claims Receivable Account for each railroad: thus, New York Central Claims, Pennsylvania Railroad Claims, etc.

**Q** WHAT is meant by "Turnover" ?

**A** The conversion of merchandise on hand or materials to be made up for sale into accounts or notes receivable and finally into cash constitutes "Turnover." At this point, the organization has completed the cycle represented by a stock of merchandise, disposition of it, and final settlement in cash. The organization is now ready for another such operation. How fast Turnover becomes may, in a given case, be determined by an answer to this question: "How long does it take to turn the merchandise on the shelves into cash or its equivalent?" The calculation is made by dividing the cost of goods sold by the average inventory. There are varying uses for this term in trade practice.

**Q** THE concern with which I am employed owns a building and loft, carried on the books at \$500,000. Recently, a mortgage was taken on this property for \$50,000. Should I make any entry affecting the Real Estate Account?

**A** The real estate is an asset and the mortgage is a liability. The liability and the asset should not be set up on the same account. When the mortgage is issued, the property affected could be sufficiently indicated by the title of the mortgage account. For example, this entry could be made:

CASH .....	\$50,000.00
To MORTGAGE, 756 North Avenue .....	\$50,000.00

One reason which could be urged for an entry in the Real Estate Account would be that such entry was necessary in order to show the net equity in the property. This, however, can be determined simply by matching up the related accounts—the Real Estate, 756 North Avenue Account and the Mortgage, 756 North Avenue Account. This should accomplish the result without disturbing the Real Estate Account.

**Q** I AM just starting in as an assistant bookkeeper, having graduated from a business school. The head bookkeeper, in explaining

**Question** my duties, happened to mention and that the concern had passed through a reorganization to "squeeze out the water." Please explain that phrase to me. I did not wish to appear ignorant at the time, and I am sure I will be expected to know about it.

(Continued)

**A** When a corporation is organized, it should be capitalized only to the extent of the actual value of the assets it controls. Thus, if the real value of the assets were \$100,000, stock should be issued only to that extent. The corporation may, however, place a valuation on the assets far in excess of their actual worth and issue stock for the full amount, including the excess valuation. The assets, so to speak, have been diluted, or stretched, to justify the issue of more stock. The excess of such inflated book values over the real values constitutes so-called "water."

The "squeezing out of the water" referred to is probably a revaluing of the assets so that they shall more nearly conform to actual values.

**Q** AT the last closing of the books, I charged off expired insurance and depreciation on fixtures directly to the Profit and Loss Account. Another member of our bookkeeping staff contended that I should have set up specific accounts for the expired insurance and the depreciation, closing these accounts in turn into Profit and Loss. Will you please throw some light on this subject?

**A** There is no compelling reason for setting up such accounts. If these were the only items involved, no harm would be done by carrying them direct to the Profit and Loss Account, provided some mark of identification were placed upon them.

The objection to the use of the Profit and Loss Account as a catch-all for sundry unrelated items is, however, founded on solid reasons. Experience shows that the practice frequently degenerates into disregard of proper account classification, with the result that the accounts at the end of the period mean nothing. It then usually becomes a case of extensive analysis, attended, perhaps, with many difficulties, to extract from these accounts what has been buried beneath the volume of transactions over the period.

When account classification has been carried out properly, and there exists merely a desire to avoid opening unnecessary accounts, there can be no valid objection to the placing of a few items in Profit and Loss, especially if they are identified by a note in the explanation column of the Ledger Account.

## *The* PACE STUDENT

March, 1920

**A** MAN, by will, leaves \$25,000 in trust, directing the payment of the income therefrom to be made to his two children for ten years after his decease, and after the expiration of that term, to pay the principal to his two children in equal shares, and if dead, to their issue *per stirpes*. Is the bequest valid?

**A** The trust is invalid, for it is not made determinable within any two ascertained lives, nor is it limited by life. For ten years the estate is inalienable, "though all mankind should join in the conveyance."

**W**HEREIN does an agent differ from a servant?

**A** An agent acts on persons; a servant acts on things. In the relation of principal and agent, three persons are always involved, to wit: the principal, the agent, and the third person, who is brought into touch with the principal through the agent's instrumentality. In the relation of master and servant, no more than two persons are involved, to wit: the master and the servant. An agent's business is to make contracts for his principal; such is not the duty of a servant.

**P**LEASE give a definition of a deferred credit, and an example of such item, as well.

**A** A deferred credit is an amount which should be credited to some classification, but which for some reason is held temporarily as a credit to another account. The more common use of the term, however, refers to income received but unearned, in whole or in part, in a given period. For example, a company receives, on October 1, 1919, \$2,000 in payment for services to be rendered for the next six months. At the time of closing the books, say on December 31, they are still obligated to render three of the six months' service paid for.

When they received the cash, they would have journalized as follows:

CASH .....	\$2,000.00
To INCOME FROM BLANK SERVICE .....	\$2,000.00

The credit (\$2,000) does not represent the true income from that source for the current period. One half of the \$2,000 had been earned in 1919, and that amount only should be carried into the 1919 Profit and Loss Account for that year. The remaining balance in the Income from Blank Service Account is a deferred credit, representing a credit to be made to Profit and Loss in 1920.

Similarly, rents received, or professional fees received, in advance, contracts paid in advance, etc., may be deferred credits.





**GAMENESS**—another name for the kind of courage that never succumbs to doubt and fear—is a quality which most men and women who have achieved business success have had to display upon more than one occasion. Every successful business career reveals many obstacles which had to be conquered, in order to make further progress possible; and in every case, victory finally came as a result of the doughty courage and flaming faith of some man or group of men who refused to admit defeat.

We do not need to cite our leaders of industry as proof of the success-compelling value of gameness. All these men and women—name whomever you please—had to be game at some time or another of their lives; otherwise, what they had already won would have been swept away, and failure would have stared them in the face.

If we are really game, we shall reveal our gameness, no matter how we are circumstanced in respect to the things that we plan and do. If we decide, for example, that it will be to our advantage to invest our spare time in a developmental course of study, we will see the course through, whatever the handicaps to be overcome. If we decide that we should make a vocational change from one concern to another, for the sake of future opportunities, we will make the change, even though the bridge-over involves a temporary sacrifice of earning-power.

Gameness simply means the courage, not only to begin a course of procedure that we know to be sound and sensible, but to see it through to the end without quitting, and even without faltering, whatever the reasons for temporary discouragement. How many of us, I wonder, are really game?

### Class Distinction

**T**HE recent industrial conference illustrates the fallacy of arbitrary class distinctions. It was composed of three groups: the employers' group, the labor group, and the public group. When it dissolved, the employers alleged that several of the members of the public group should have been in the labor group. With

## The PACE STUDENT

March, 1920

like vehemence, the labor leaders contended that several in the public group should have been in the employers' group. Probably both

were right.

This all goes to show that there may be class distinction without genuine class difference. An employer, ordinarily, is a laborer. Moreover, it is pretty hard to find a real live person who might be said to be of the public, and neither a laborer nor an employer. A few constitute the idle rich and a few the idle poor. Thankful we are that in these classes there are only a few. After all, the public is, for the most part, employers and laborers.

Concern is frequently expressed regarding the power of organized minorities. Not long since, a periodical deplored the effect of organized minorities in shaping recent legislation. True, an unorganized majority may find their interest thwarted, temporarily at least, by an organized minority. This is but transient. Sooner or later, the lines of class distinction disappear in proposed legislation and the community welfare comes to the forefront.

Anxiety over the seeming power of this group or of that group is needless. There is an underlying conservatism in the American people which has survived many crises instituted by groups. Whether it be Bolshevism or dictation by labor groups, or dictation by other organized groups, matters not. The sensible thing is to forget them and not let them cause panicky conditions to prevail. For we are one group, and as one group submerge all other groups.

**N**EW regulations have been issued by the Federal Bureau of Internal Revenue concerning the Federal estate taxes. These regulations are more complete than any heretofore issued on this interesting subject. The form follows that of the regulations concerning income and excess-profits taxes. The sections of the statute are stated first, and under each section there is presented a synopsis of the rulings of the Department. Interesting questions regarding reversionary and remainder estates are ruled upon. The use of present worths in determining the present value of future interests is also set forth.

## THE PACE STUDENT

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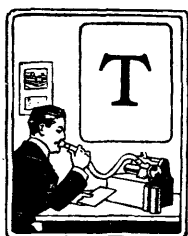
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# Terminology and Technique of the Balance Sheet

By Harry Osborn Leete, C.P.A.



THE following interesting and suggestive article was written expressly for The Pace Student by Harry O. Leete, C.P.A. (N.H. and Vt.), auditor of The Jenckes Spinning Company, The Tamarack Company, The Darlington Warehouse Company, and The Jenckes Knitting Machine Company, Pawtucket, R. I. Mr. Leete was recently elected a fellow of the Rhode Island Society of Certified Public Accountants. He is a Pace Student.

A well-known writer on finance has taken exception to the incursions of accountants into the field of finance. In the same breath he is somewhat apologetic, in that he states that there has been a general recognition that the conclusions drawn by skilled accountants may be profitably used as a foundation for future action.

Whatever may be the common acceptance of this theory, it is generally conceded that a statement certified to by a reputable accountant performs many functions.

As a proof of this contention, witness the prevalence of certified statements on file in banks throughout the country to-day, as compared with a condition which existed even ten years ago.

New York bankers commenced the practice of asking for written statements from borrowers about the year 1895. About four years later, the American Bankers Association adopted a much-desired expedient in uniform statement blanks. Since the panic of 1907 and the enactment of the Federal Reserve Act, statements of financial conditions, certified to by public accountants, have in a large measure superseded a borrower's own statement.

Too much emphasis can not be laid upon the fact that, once the accountant's statement is in the hands of the public, many false interpretations may be placed upon improper terminology and technique.

What English construction is to the literary critic, what lines are to the artist in the picture, terminology and technique should be to the accountant in the preparation of the Balance Sheet.

We have before us a statement which is to be submitted for borrowing purposes by a manufacturer. Let us consider some of the details which should make up such a document.

**Current Assets** This caption has become somewhat standardized, although the uniform system of accounts devised by the Federal Trade Commission in

## The PACE STUDENT

March, 1920

conjunction with the committee appointed by the American Institute of Accountants differentiates between "Quick" and "Current"

Assets. Subdivisions of this caption usually consist of:

1. Cash.
2. Notes Receivable.
3. Accounts Receivable.
4. Merchandise Inventories.
5. Marketable Securities.

1. *Cash.* This caption should be preferably separated into Cash on Hand and Cash on Deposit, in the order named. If checks have been received on the last day of the accounting period and are not deposited until the next day, it is permissible to have a separate subdivision, known as Cash in Transit. This construction may be shown by underscoring the caption Cash and indenting the subdivisions; as,

<b>CASH:</b>		
On Hand .....	\$xx	
On Deposit .....	xx	
In Transit .....	xx	
		<u>xx</u>
		<u>xx</u>

2. *Notes Receivable.* This should contain only notes from customers for merchandise sold. Notes given by officers or employees should be entirely eliminated at this point and shown under another caption, as will be disclosed subsequently. If there be any of a doubtful nature, the amount should preferably be deducted from the Notes Receivable—Customers, the net amount being carried out as under:

<b>NOTES RECEIVABLE:</b>		
Customers .....	\$xx	
Less: Provision for Doubtful..	xx	
		<u>xx</u>
Accrued Interest .....	xx	
		<u>xx</u>
		<u>xx</u>

Attention is invited to the term, "Provision for Doubtful." Accountants themselves are responsible for improper terminology which has existed for years in this connection. Textbooks to the contrary notwithstanding, the term "Reserve for Doubtful" is a misnomer. A reserve should be confined to the liability side of a Balance Sheet, denoting a sum set aside out of surplus to meet a contingency, *after* the determination of the profit for the period. The term "provision or allowance" is a provision for something *before* the determination of a profit, and when used to show the book net worth of an asset, the term "reserve" reflects improper technique.

3. *Accounts Receivable.* It was stated under the caption "Notes Receivable" that only the

**Terminology and Technique of the Balance Sheet** (Continued)

subdivision "Customers" should be shown, segregating any other source of such an asset to another part of the Balance Sheet. It is the writer's opinion that the same procedure should be adopted in respect to the term "Accounts Receivable," exception being made to the presence of any debit balances to Accounts Payable, on the theory that liabilities should never be used to offset assets, or *vice versa*. The details under this caption are preferably set up; as,

#### ACCOUNTS RECEIVABLE:

Customers .....	\$xx
Less: Provision for Doubtful	
Accounts .....	xx
	_____ \$xx
Trade Creditors:	
Debit Balances .....	xx
	_____ \$xx
	=====

In a case that came to the writer's attention, a manufacturer had for years presented a statement to bankers for borrowing purposes, and under the caption Accounts Receivable in the sum of \$130,000, \$23,000 represented payments made by the company for the manufacturer's personal life-insurance premiums, grocery bills, and sundry withdrawals. In addition to this error of commission, an aging of the accounts disclosed about \$45,000 to be long overdue, and provision had to be made in a like amount.

It should be mentioned in this connection that provision should also be made for cash discounts, freights, rebates, and allowances; and if any accounts have been sold to discount companies, special mention should be made.

**4. Merchandise Inventories.** Probably the most difficult item to verify by an accountant, and one which the banker is most interested in in these days of artificial values, is the inventory. It is the writer's opinion that only merchandise purchased and on hand, preferably known as Raw Material, goods in process of manufacture, known as Goods-in-Process, sometimes called Work-in-process or Material-in-process, Finished Stock, sometimes called Finished Material, should be included in this caption. Supplies on hand, that is to say, component parts of the material-in-process should be preferably shown as a prepaid expense, under the caption "Deferred Charges to Operations." The construction of this caption may be shown as follows:

#### MERCHANDISE INVENTORIES:

Raw Material .....	\$xx
Goods-in-Process .....	xx
Finished Stock .....	xx
Goods-on-Consignment .....	xx
	_____ \$xx
	=====

## The PACE STUDENT

March, 1920

Provision should be made for any obsolete or unsalable merchandise, following out the suggestion heretofore stated of deducting from the

total inventory the amount provided, using the caption, "Provision for Unsalable Merchandise," or a similar caption. Likewise, special mention should be made if any portion of the inventory has been pledged as security, or subject to lien.

**5. Marketable Securities.** Under this caption should only be shown securities which have a ready market, such as Liberty Bonds, together with the accrued interest on the same. Consideration should be given to the intent of the investment. For example, has the company invested some of its cash which can not be profitably employed in the undertaking? If so, it is truly as much of a current asset as Cash, and can very properly be classified as such. War-Savings Stamps, certificates of indebtedness, and other securities of a like nature may be set up as current assets. Investments in affiliated companies and stocks and bonds of a doubtful immediate realization should preferably be shown under a separate caption.

1. Notes Payable.
2. Accounts Payable.
3. Accrued Liabilities.

Current  
Liabilities

**1. Notes Payable.** This caption should be subdivided into Notes given for borrowed money, and in the event of the source of the borrowing being in part from the client's own banks and part from the sale through note-brokers, a further subdivision should be made. Consideration must be given to notes given for merchandise purchased, and also to any officers, employees, or directors. A detailed classification of the foregoing may be shown as follows:

#### NOTES PAYABLE:

Given for Borrowed Money—Banks
" " " " —Brokers
" " Merchandise, Officers, etc.

This classification will purport to show the condition and method of financing. Attention should be directed to any liens of the above on the assets of the undertaking.

**2. Accounts Payable.** This item calls for considerable thought in the preparation of the Balance Sheet. Accounts Payable—Trade Creditors should be divided into those past due and those not due. Any payments to be made to Officers or Employees should be shown under a separate caption. Dividends declared, but not paid, and Customers' Credit balances should be treated in a like manner. To summarize a *pro forma* treatment of this caption, attention is invited to the following:

(Continued)

# ACCOUNTS PAYABLE:

Trade Creditors—Past Due	xxx
Trade Creditors—Not Due	xx
Officers	xx
Dividends Payable	xx
Customers' Credit Balances	xx
	xxx

An arrangement similar to the above discloses the nature of the obligations, and precludes a misinterpretation on the part of the prospective lender or investor.

3. *Accrued Liabilities.* There is much confusion in the mind of the layman as to the scope of Accrued Liabilities. Simplicity in arrangement and legal requirements are a prerequisite to the proper interpretation of the details making up the items in this connection, and consideration on part of the accountant should be given to—

## ACCRUED LIABILITIES:

- Federal Taxes.
- State and Municipal Taxes.
- Pay-rolls.
- Interest on Notes Payable.  
(subdivided according to the character of the note)
- Commissions, etc, etc.

As a compromise between those who contend that all undertakings should be considered as a going concern and those who consider each undertaking as a potential bankrupt, it is the writer's opinion that the above construction serves its purpose in (a) presenting the accrued liabilities as the last item among current liabilities, and (b) disclosing the subdivisions in order of their liability in the event of insolvency or bankruptcy.

*Note*—Mr. Leete's article will be concluded in the April issue of The Pace Student—his conclusions, based upon the foregoing, are of great interest.

**R**EADERS of The Pace Student will be shocked to learn of the recent sudden death from pneumonia of Leonard P. Burnham, a valued member of the Accountancy Faculty of Pace Institute, New York. Mr. Burnham, at the time of his death, was town auditor of Montclair, N. J. He will be greatly missed by the students, faculty, and executives of Pace Institute, where his genial personality and teaching ability kept turning acquaintances into warm friends. The deepest sympathy of the entire Pace Organization goes out to Mrs. Burnham and her children.

## The PACE STUDENT

March, 1920

**C**ADDIE H. KINARD, C.P.A. (Ark.), a Pace Extension student, recently wrote the following letter to Pace Institute in reference to an article entitled "Professional Bearing," by Mr. Homer S. Pace, C.P.A. (N. Y.), which appeared in a recent issue of The Pace Student:

"I have read with much interest the article in The Pace Student headed 'Professional Bearing,' and desire to say to you that this is one of the best that I have ever seen. I don't know who is responsible for this, but I desire to commend The Pace Student on this publication. I have read it in both issues, and it would be well if every young man and woman studying Accountancy would take the time to study it closely."

The above letter is typical of a great many letters that have been received commendatory of this article, which evidently is of considerable interest to professional accountants. Several Accountancy firms have distributed this article among the members of their staffs.

**J**OSEPH P. CASEY, a Pace graduate, recently sailed for Shanghai, China, to join the technical staff of Stevenson & Carson, public accountants. Mr. Casey has a practical business experience that will undoubtedly be of great value to him in his new professional connection. For some time he was in the accounting department of the American Water Works and Electric Company. Then for a time he was associated as a junior accountant with Townsend & Dix, New York City. Later, he was an executive accountant with the S. K. F. Ball-Bearing Company, Hartford, Conn., being later transferred to their New York office.

R. P. COOK, D. R. TALBOT, and A. J. PEIL, Pace students, have recently arrived in Cleveland, Ohio, where they are employed as junior accountants by Nau, Rusk & Swearingin, certified public accountants;

J. H. HOGE, a Pace student, is also with the same firm as a senior accountant.

RICHARD GEORGE has arrived in San Juan, Porto Rico, where he has been employed as an accountant by the American Colonial Bank of Porto Rico.

Niven & Company, I could have accepted what appeared to be at that time a very lucrative private position, and I have had dozens of offers since then.

"I mention this point primarily for the reason that, in my experience, I find that most young men are tempted by the large financial rewards in these big outside positions. As a result, they quit the field of professional Accountancy before they have really reached the point of being able to realize all the good there is in it, not the least of which is the independence of action which one enjoys. I fear that the young men who are thus weaned away from the profession fail to appreciate that five or six years' experience in professional public Accountancy is equivalent, as far as their potential earning power and knowledge of business are concerned, to fifteen or eighteen years in any other given line of business."

A. W. BROWN, C.P.A., and W. H. COMPTON, C.P.A., have joined the accounting faculty of The Rider-Moore and Stewart School, Trenton, N. J., as special lecturers on various phases of the Pace Accountancy Course, which is being conducted with marked success by the above well-known institution.

Mr. Brown is traveling auditor for John A. Roebling's Sons Company, Trenton, and Mr. Compton, who is a Pace graduate, is controller of The Monument Pottery Company, Trenton. Incidentally, Mr. Brown and Mr. Compton are the only certified public accountants in Trenton. The proprietors of the Rider School, Messrs. Moore and Gill, are therefore to be congratulated upon their enterprise in securing the teaching services of Mr. Brown and Mr. Compton.

PATRICK J. SULLIVAN, Pace Institute, Boston, recently took a Civil-Service examination in the Boston district to qualify as clerk with knowledge of Accounting. Mr. Sullivan received a grading of 90 per cent., and has been informed by the secretary of the First United States Civil Service District that his name is at the head of the register.

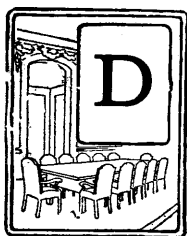
ALVA E. CLARK, a student in Semester C-185, Pace Institute, New York, has joined the staff of A. Rafter, C.P.A. (N. Y.). Mr. Clark was formerly employed in the Accountancy department of Arkill & Douglas, Inc., importers and exporters, and entered his new position on December 15, 1919.

Biograph-  
ical  
Sketch

(Continued)

**View-  
Point  
in  
Business  
Letters**

**By  
George M.  
Lattimer,  
A.B.**



**DEFINITENESS** of view-point is essential to a good letter. The writer of a business letter, especially if it is a sales-communication intended to influence thou-

sands of prospective customers, must decide, after careful thought, upon the view-point that he will take, and once having taken a certain attitude or point of view towards his readers, he must maintain it consistently throughout his letter; otherwise, half the effect of his letter is likely to be lost, as the reader's mind will not be focused all the time on that which is applicable only to him.

To illustrate, let us suppose that you are sending to ten thousand women a circular letter designed to interest them in a new hand-propelled vacuum cleaner. The specific purpose of your letter is to arouse their interest in the machine you are selling to a point where they will go to the local dealer in their town and ask for further particulars concerning the machine—possibly, even for a demonstration in their homes.

Now, manifestly, one thing that you must decide before writing your letter is whether or not you are going to appeal primarily to the woman in the large city who undoubtedly has electricity in her home, or to the woman in the smaller city or large town who is not so likely to have electric current at her disposal. These two classes are clearly defined, and the writer must set up this distinction in his own mind before he decides on the facts that he will include in his letter.

If you are appealing to the first type—the woman in the city—you will try to show her that your hand-propelled cleaner costs about one third as much as the electric machine, is cheaper to operate, and will not injure the warp of the rugs as an electric machine is likely to do. All considerations which might be brought to bear upon the woman who could not use an electric machine will be omitted. Your view-point will be properly taken, in that the sales arguments in your letter will be those that, while appealing to women as a class, will show specifically to the woman who undoubtedly has electricity in her home that your vacuum cleaner is superior to the electric machine. Your letter will appeal, primarily,

*The*  
**PACE STUDENT**  
March, 1920

to one particular class of women—those who have electricity in their homes, and who are likely to know something of the value of a vacuum cleaner.

Show the women to whom you are writing that you understand their needs and housekeeping problems. Appeal to their anxiety to keep their homes spick and span, to their sense of economy and efficiency. You can not induce them even to read the facts contained in your letter, unless you can arouse their interest. Do this by including in the first part of your letter a sentence which will attract their attention at once. Once having attracted their attention, you will find it comparatively easy to hold it, provided you marshal your sales arguments carefully and leave out of your letter all extraneous material.

On the other hand, you can see that, if you are trying to interest in your vacuum cleaner women living in the smaller cities and large towns, you will make an entirely different sales appeal. You will show them the advantages of a vacuum cleaner over the old method of cleaning carpets and rugs by means of a broom or carpet-sweeper. Your entire letter will be geared up to appeal to the woman who may know but little about vacuum cleaners, but who will be very much interested in keeping her house clean, as economically as possible. You must get the proper view-point, or your letter will go over the heads of your readers. By letting the woman in the small town know that you understand her household problems, you will arouse her interest at once, and, in the course of your letter, you can prove to her the value of the commodity that you are selling.

Many sales-letters, good in themselves, are ineffective, because the writer does not get the proper view-point. You can not dissociate a letter from its readers; unless it appeals to them, it is useless. Sales-letters are written to produce sales, and must be tested by this standard.

An example of a letter which would appeal to the average city woman, with the proper view-point maintained throughout, follows:

"You know that a vacuum cleaner is, in these days, practically a household necessity. You have no time to sweep all of your rugs with

a broom, or to clean them but partially with the old-style carpet-sweeper.

"A hand-propelled vacuum cleaner, selling for \$10.50, is just what you want for cleaning your carpets and rugs. Compare this price with the prices of electrically propelled machines, selling to-day anywhere from \$30 to \$50 a machine.

"The Ajax Cleaner retails for \$10.50; there is no expense for operation. Rugs are cleaned carefully, but effectively, with no ill effect upon the texture.

"The little folder enclosed will repay a careful reading. Note the illustrations showing the simple construction of the Ajax Cleaner, and the way in which it gets every bit of dust from carpets or rugs.

"We do not ask you to take our word for these things; simply drop in at the Smith Hardware Company and ask for a demonstration of the Ajax Cleaner; or, better still, have them give you a demonstration in your own home. The enclosed card will be your authority for asking them to make this home demonstration.

"Simply sign the card and mail it to the Smith Hardware Company—no obligation incurred, of course—and their representative will call at your convenience and will show you exactly how this new cleaner has revolutionized the housework of thousands of progressive American women."

Another letter which illustrates proper view-point is given below. The writer of this letter shows that he knows just the trouble that confronts the average business man. He is not using arguments in writing to a business man that would appeal to a banker, but he is showing in every sentence of his letter that he understands just the problems that the present-day executive is confronted with.

"If there is one thing you need, and need badly, it is a convenient place to put things.

"You have, of course, your regular files and large, roomy, desk drawers, but they are not for 'things.' We mean the little slips of papers, the loose memoranda, the ideas jotted down during spare moments, the interesting clippings cut from the morning's paper, and all the miscellaneous little matters that are just small enough to get lost easily, and yet valuable enough to be too precious to lose. The biggest file or the most spacious drawer ever manufactured would not hold these things, at least not

(Continued)

in convenient, ever-accessible shape. "But we have something that will! It is a unique, durable, desk cabinet, invented by a man who understands the every-day needs of the business man. Further than that, it is fitted with patent, flexible, leather-tipped compartments, so indexed and cross indexed that not only can you readily find all the papers you put into the compartments, but you are told automatically where everything else pertaining to these papers can be located. No matter if you have the cabinet filled with papers, you can always lay your hand on any particular one. Nothing can be lost.

"But read the circular enclosed; it tells all about it—illustrates it. One of the users says, 'They are as necessary to my business as the desks or the telephone.'

"You can buy this handy, necessary, time-saving desk cabinet from your regular dealer, or, if by any chance he should be out of them, order directly from us. The enclosed card explains how. Mail it to-day; the cabinet will be sent out at once."

You may wonder how it will be possible for you to get the proper view-point of all the proposed recipients of your letter. It is, of course, in a sense impossible; you can not know, personally, every woman or man to whom you are writing. First, classify carefully your readers, and have one letter to appeal to each class. Think of some man belonging to this particular class, whom you know personally. Address your letter to him; you know his needs and problems, and if he is a typical member of the class, your letter addressed to him will appeal to all the members of the group to which he belongs.

For example, let us suppose that you are trying to interest sales-managers in a new device for keeping track of their salesmen while on the road. You know a certain sales-manager, conspicuously successful in his work; address your letter to him, just as though you were writing to him personally. In doing this, you will appeal to all sales-managers.

Keep in mind, therefore, in planning a sales campaign by letter, that you must first classify your prospects carefully, and that you must secondly show them in your letter that you have the proper view-point, and that you understand the problems with which they are confronted. By doing this, you will give your letter the first essential element of success.

## The PACE STUDENT

March, 1920

E. P. ADAMS, a recent graduate of Pace Institute, Washington, submitted a graduation thesis of notable excellence. The Thesis will be printed in instalments in later issues of The Pace Student. Mr. Adams's modesty—a quality that usually accompanies real ability—caused him to say, in reply to a congratulatory letter from Mr. Homer S. Pace, "Personally, I was far from satisfied with my efforts, and I deeply regretted my inability to devote the time necessary for bringing my thesis up to what I considered a reasonable standard."

J. C. ELMS, Pace Institute, New York, has accepted a position as junior accountant with H. M. Horn-drup.

EARLE G. BARR, a graduate of The Detroit Institute of Technology, School of Accountancy (Pace Courses), has organized the firm of E. G. Barr & Company, systematizers and cost accountants, Chicago. Mr. Barr has had an unusually wide and successful experience as a cost analyst. He refers to his organization as having "a standardized working procedure" which requires, among other things, "that a representative of the client work jointly with the consulting expert."

MISS MARY E. LYNCH and MRS. MARGARET T. RICHARD, former students at Pace Institute, Boston, are now employed in a department of the Bureau of Internal Revenue, Washington, which has to do particularly with the auditing of manufacturing corporation returns. In a department containing one hundred and fifty employees, Mrs. Richard and Miss Lynch are the only women.

JAMES LARSON left for St. Louis, Mo., on January 25th, where he is to be chief accountant for the Mineral Refining & Chemical Corporation.

G. E. MAC FALLS, Pace Institute, Boston, has accepted a position as manager of the Chicago office of E. R. Squibb & Sons, m'fg chemists.

GEORGE MENKER, a Pace graduate, is now with Puder & Puder, of Newark, N. J., as a senior accountant.

SEARLE, NICHOLSON & LILL, *Personals* certified public accountants, and Francis Oakey & Company, certified public accountants, announce the consolidation of their practices under the firm name of Searle, Nicholson, Oakey & Lill, certified public accountants, New York. They also announce the opening of an Income Tax Department under the management of Ernest H. Maling, late chief of the special assessment section of the Bureau of Internal Revenue.

ABRAHAM MELTZER, Pace Institute, New York, recently passed the New Hampshire examination for certified public accountant. The examination was that given by the American Institute of Accountants, which coöperates with several states, among them New Hampshire, as regards the licensing of applicants for the C.P.A. degree.

W. J. MAGEE, of Buffalo, N. Y., and A. E. SURDAM, of Washington, two former Pace students, have recently resigned from the Government service and have entered the professional practice of Accountancy under the firm name of Amen, Surdam & Company, Inc., Federal tax specialists and consulting accountants, Buffalo, N. Y.

CHRISTOPHER HAWORTH, Semester E, Pace Institute, Boston, has accepted an accounting position on the staff of Messrs. Morgan & Morgan, public accountants. Mr. Haworth was formerly in the Liberty Loan Department of the First National Bank, of Boston.

E. C. MORRISSETTE, Pace student, Semester B, formerly auditor of the News and Observer Publishing Company, Raleigh, N. C., has severed his connection with that company and is now associated with George R. Doble in the practice of public accounting, with headquarters at Rocky Mount, N. C.

J. E. WILLIAMS, Semester E, Pace Institute, Boston, has accepted an accounting position with Robert Dysart, C.P.A., Boston. Mr. Williams has shown desirable progress during the past two years, having changed his employment four times, each time for an improved position.

A. T. FOSTER sailed on January 29th for Cap Haitien, Haiti, to begin his duties as business manager for C. C. Woolard, exporter and importer.

(5) pay all demurrage and other charges, except lighterage charges.  
7. The seller may desire to quote a price covering delivery of the goods alongside overseas vessel and within reach of its loading tackle. In this case, the proper term is:

"F.A.S. vessel (named port)."

Under this quotation:

A. Seller must—

(1) transport goods to seaboard.  
(2) store goods in warehouse or on wharf, if necessary, unless buyer's obligation includes provision of shipping facilities.

(3) place goods alongside vessel either in a lighter or on the wharf.

(4) be responsible for loss and/or damage until goods have been delivered alongside the ship or on wharf.

B. Buyer must—

(1) be responsible for loss and/or damage thereafter, and for insurance.

(2) handle all subsequent movement of the goods.

(3) pay cost of hoisting goods into vessel where weight of goods is too great for ship's tackle.

8. The seller may desire to quote a price covering all expenses up to and including delivery of the goods upon the overseas vessel at a named port. In this case, the proper term is:

"F.O.B. vessel (named port)."

Under this quotation:

A. Seller must—

(1) meet all charges incurred in placing goods actually on board the vessel.

(2) be responsible for all loss and/or damage until goods have been placed on board the vessel.

B. Buyer must—

(1) be responsible for loss and/or damage thereafter.

(2) handle all subsequent movement of the goods.

9. The seller may be ready to go further than the delivery of his goods upon the overseas vessel and be willing to pay transportation to a foreign point of delivery. In this case, the proper term is:

"C.&F. (named foreign port)."

Under this quotation:

A. Seller must—

(1) make freight contract and pay transportation charges sufficient to carry goods to agreed destination.

(2) deliver to buyer or his agent proper bills of lading to the agreed destination.

(3) be responsible for loss and/or damage until goods have been delivered alongside the ship and clean ocean bill of lading obtained (seller is not responsible for delivery of goods at destination).

B. Buyer must—

(1) be responsible for loss and/or damage thereafter and must take out all necessary insurance.

(2) handle all subsequent movement of the goods.

## The PACE STUDENT

March, 1920

(3) take delivery and pay costs of discharge, lighterage, and landing at foreign port of destination in accordance with bill of lading clauses.

(4) pay foreign customs duties and wharfage charges, if any.

10. The seller may desire to quote a price covering the cost of the goods, the marine insurance on the goods, and all transportation charges to the foreign point of delivery. In this case, the proper term is:

"C.I.F. (named foreign port)."

Under this quotation:

A. Seller must—

(1) make freight contract and pay freight charges sufficient to carry goods to agreed destination.

(2) take out and pay for necessary marine insurance.

(3) be responsible for loss and/or damage until goods have been delivered alongside the ship, and clean ocean bill of lading and insurance policy have been delivered to the buyer, or his agent. (Seller is not responsible for the delivery of goods at destination, nor for payment by the underwriters of insurance claims.)

(4) provide war-risk insurance, where necessary, for buyer's account.

B. Buyer must—

(1) be responsible for loss and/or damage thereafter, and must make all claims to which he may be entitled under the insurance directly on the underwriters.

(2) take delivery and pay costs of discharge, lighterage, and landing at foreign port of destination in accordance with bill of lading clauses.

(3) pay foreign customs duties and wharfage charges, if any.

### Explanations of Abbreviations

F.O.B. .... Free on board.

F.A.S. .... Free alongside ship.

C.&F. .... Cost and freight.

C.I.F. .... Cost, insurance, and freight.

L.C.L. .... Less than carload lot.

In reaching the conclusions set forth in this statement, the Conference considered the fact that there are, in more or less common use by manufacturers in different parts of the United States, numerous variations of these abbreviations, practically all of which are employed to convey meanings substantially synonymous with those here defined. For instance, there are manufacturers who quote "F.O.B. cars," "F.O.B. works," "F.O.B. mill," or "F.O.B. factory," meaning that the seller and buyer have the same responsibilities as those set forth in Section 1. The Conference considered all

those variations and determined to recommend the use of "F.O.B. (named point)," as "F.O.B. Detroit," "F.O.B. Pittsburgh," etc. Of the considerable number of these abbreviations which are used in the United States, the Conference felt that the form "F.O.B. (named point)" is most widely used and understood, and therefore should be adopted as the standard of practice.

The chief purpose of the Conference is to simplify and standardize American practice, and to that end it urges manufacturers and exporters to cease the use of synonymous abbreviations and quote habitually in the terms here recommended, just as far as these terms will cover the price conditions which it is desired to arrange with the buyer.

Variations of the abbreviations recommended in other sections also are in more or less common use throughout the United States. The recommendations of the Conference set forth above apply to them with the same force as to those cited under Section 1.

Manufacturers and exporters are urged to bear in mind that the confusion and controversies which have arisen have sprung in part from the use of an excessive number of abbreviated forms with substantially similar meanings, as well as from the use of abbreviations in a sense different from their original meanings, or in an application not originally given them and different from the sense or application understood by foreign buyers.

In simplified and standardized practice lies the best hope of reducing confusion and avoiding controversy.

The Conference urges upon manufacturers and exporters the very great importance at all times of making their intention in whatever quotations they employ so thoroughly clear as to be impossible of misunderstanding or misinterpretation. It is much better to take the time and space at the outset to make the quotation clearly understood, than to be compelled in the end to go through vexatious controversy or litigation, which costs not only time and expense, but customers as well. Misunderstandings can best be avoided if the seller will formulate a written statement of the general conditions under which his sales are to be made, and will see that the foreign buyer possesses these terms of sale when considering a quotation. The items which may be included in such a statement, deal with: delivery, delays, partial shipments, shipping instructions, inspection, claims, damage, and payment. If all contingencies are thus covered by carefully considered conditions of sale, disputes will largely be prevented.



(Continued)

The quotation "F.O.B. (named port)," as "F.O.B. New York," "F.O.B. San Francisco," "F.O.B. New Orleans," is often used by inland producers and distributors to mean merely delivery of the goods at railway terminal at the port named. This abbreviation originated as an export quotation and has no application to inland shipments. It was used only to mean delivery of the goods upon an overseas vessel at the port named. That, in fact, is the meaning universally given to the phrase among foreigners, and is the meaning which the best practice among exporters requires it invariably to have. But because of the confusion which has arisen through the use of that form with a different meaning by inland producers and distributors, and in the interest of unmistakable clarity, the Conference most strongly urges the invariable use by American manufacturers and exporters of the form "F.O.B. vessel (named port)." This adds only one word to the abbreviated form and has the great advantage that it can not be misunderstood. It also avoids the difficulty which might arise among foreigners, not always well versed in American geography, through confusing an inland forwarding point with a shipping port at sea-board.

The Conference calls attention to the fact that, in selling "F.A.S. vessel," manufacturers and exporters should be careful to have their agreements with buyers cover explicitly the question of responsibility for loss after goods have been delivered on the wharf or alongside the vessel and before they are actually loaded on the ship. There is no generally established practice on this point. The recommendation of the Conference in the definitions of responsibility under Section 7 sets up a rule which it is hoped will lead to the establishment of a standard practice.

It is understood that the provision of lighterage covered in several of these recommendations is only within the usual free lighterage limits of the port, and that where lighterage outside such limits is required, it is for buyer's account.

In order to avoid confusion in another particular, attention is called to the care which must be exercised in all cases in making weight quotations. The net ton, the gross ton, and the metric ton, all differ in weight. Similarly, there is a variation in the use of the term "hundredweight," to mean either 100 pounds or 112 pounds. It is, therefore, not sufficient to quote a price per "ton" or per "hundredweight." Instead, the Conference recommends the use of the terms "ton of 2,000 lbs." "ton of 2,240 lbs." or "ton of 2,204 lbs." etc., whichever is intended.

## The PACE STUDENT

March, 1920

It is also important to note that a carload lot in the United States means the quantity of the particular commodity in question necessary to obtain the carload freight rate for transportation on American railways. This quantity varies according to the commodity, and also varies in different parts of the country. Certain commodities being more bulky than others, the minimum carload for them is less than for heavier products occupying less space. The load required may range anywhere from twelve thousand to ninety thousand pounds. Consequently it is important, when quoting prices applicable to carload lots, to so state, and to specify the minimum weight necessary to make a carload lot of the particular commodity for the particular shipment in question.

The Conference points out that in quoting "C.&F." or "C.I.F.," manufacturers and exporters moving large quantities of material by one vessel should be careful to ascertain in advance the buyer's capacity to take delivery. This because, under these terms and as a condition of making the freight rate, transportation companies may require a certain rate of discharge per day, and that rate of discharge might be in excess of the buyer's capacity to take delivery. In such event, an adjustment with the transportation company would be necessary, which might affect the freight rate and, consequently, the price to be quoted.

The Conference also strongly urges shippers clearly to understand the provisions of their insurance protection on all foreign sales, irrespective of the general terms used thereon. In almost all cases it should be possible, when making shipments by steamer, to obtain insurance cover giving full protection from primary shipping point to designated seaport delivery, and/or foreign port delivery. As ordinary marine insurance under F.P.A. conditions, that is, free of particular average, gives no protection against deterioration and/or damage to the merchandise itself while in transit, when caused by the recognized hazards attending such risks, shippers should endeavor in all cases to obtain insurance under W.P.A. (S.P.A.) conditions, that is, with particular average (subject to particular average), when in excess of the customary franchise of 3 per cent. to 5 per cent. Under such form of insurance, underwriters will be called upon to pay claims for damages when these exceed the stipulated franchise.

The Conference points out that

inasmuch as fees for consular invoices and similar items are arbitrary charges fixed by foreign governments, they are not included in the terms of C.&F. or C.I.F. quotations, and it is part of the duty of the buyer to meet them.

Finally, the Conference strongly recommends, as a most effective measure of simplification, the general practice of quoting for export, as far as possible, either "F.A.S. vessel," "F.O.B. vessel," or "C.I.F." Concentration on this small list, all of which terms are readily understood abroad and are difficult of misinterpretation, will, it is felt, be markedly influential in avoiding confusion and controversy.

The conclusions and definitions set forth above are the recommendations of a Conference which was composed of representatives of nine of the great commercial organizations of the United States interested in foreign trade. Not all have as yet the force of law or long-established practice; but it is the hope and expectation of the Conference that these recommendations will receive such adherence on the part of American producers and distributors, as to make them, in fact, the standard American practice. And it is therefore expected that in due time they will receive the sanction of legal authority.

ONE of the most important things that a young accountant can build into his professional record is a reputation for fair play toward his employers, especially as regards giving them due notice when, for one reason or another, he feels that it will be to his advantage to resign his position and make a new business connection. Technical ability, if unsupported by a realization of the importance of dealing fairly with present employers, will not carry an accountant very far. After all, an accountant's professional record, no matter how many changes in employers may have occurred, is, or should be, a unified thing; there must be no breaks in it which are difficult of explanation.

W. GRANT HOAGE, C.P.A. (Mont.), a graduate of Pace Institute several years ago, recently called at the Institute. Mr. Hoage is in the professional practice of Accountancy at Butte, Montana.

F. HAROLD LAWRENCE, Pace Institute, Boston, has joined the Accountancy staff of Morgan & Morgan, public accountants, Boston.

W. A. MEYER has been recently employed as an accountant by the Tidewater Oil Company.

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